

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: W.R. GRACE & CO., <i>et al.</i>, Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING INTERIM APPLICATION
OF VENABLE LLP FOR COMPENSATION FOR SERVICES AND
REIMBURSEMENT OF EXPENSES FOR THE THIRTY-FOURTH QUARTER
FROM JULY 1, 2009 THROUGH SEPTEMBER 30, 2009**

This is the initial report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Interim Application of Venable LLP for Compensation for Services and Reimbursement of Expenses for the Thirty-Fourth Quarter from July 1, 2009 through September 30, 2009 (the "Application").

BACKGROUND

1. Venable LLP ("Venable") was retained as special litigation counsel to the Debtors and Debtor- in-Possession. In the Application, Venable seeks approval of fees totaling \$491,541.50 and expenses totaling \$295,440.39 for its services from July 1, 2009 through September 30, 2009 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of

Delaware, Amended Effective February 1, 2009, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the “U.S. Trustee Guidelines”), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Venable based on our review, and we received a response from Venable, portions of which response are quoted herein.

DISCUSSION

General Issues

3. We note that Venable, in the exercise of billing judgment, voluntarily writes down certain fees prior to billing. The total fees written off by Venable during the Application Period were \$32,169.00.

Specific Time and Expense Entries

4. We note the following time entry which appeared to include non-working travel time.

Mallon, Colleen M.	7/9/2009	3.30	415.00	1,369.50
Prepare for meeting with M. Baker; participate in meeting with M. Baker, D. Kuchinsky, M. Sherman and M. MacGregor re: collecting/gathering data in easy format; travel to/from Grace’s Columbia office				

According to Local Rule 2016-2(d)(viii): “Travel time during which no work is performed shall be separately described and may be billed at no more than 50% of regular hourly rates.” Thus, we asked Venable to indicate the amount of time devoted to non-working travel, and to advise whether the required 50% discount had been applied to this time. Venable responded:

As you requested, on (Response) Exhibit A attached hereto, we have set forth the time devoted to non-working travel with respect to the specific time entry noted by the Auditor’s report. A 50% discount inadvertently was not previously applied to

this entry. Therefore, we reduce our request for approval of fees for the Application Period by \$249.00 as set forth on (Response) Exhibit A.


We note from Response Exhibit A, attached hereto, that Venable calculates the non-working travel time to and from the debtor's offices at 1.20 hours. We accept Venable's response and recommend a reduction of \$249.00 in fees.

CONCLUSION

5. Thus, we recommend approval of \$491,292.50 in fees (\$491,541.50 minus \$249.00) and \$295,440.39 in expenses for Venable's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 25th day of February, 2010.



Warren H. Smith

SERVICE LIST

Notice Parties

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